

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO .

Commission File Number 0-18592

MERIT MEDICAL SYSTEMS, INC.

(Exact Name of Registrant as Specified in its Charter)

Utah

(State or other jurisdiction of incorporation or organization)

87-0447695

(I.R.S. Employer Identification No.)

1600 West Merit Parkway, South Jordan, UT, 84095

(Address of Principal Executive Offices)

(801) 253-1600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock

Title or class

27,305,753

Number of Shares

Outstanding at November 5, 2007

MERIT MEDICAL SYSTEMS, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2007 AND DECEMBER 31, 2006
(In Thousands - Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,199	\$ 9,838
Trade receivables - less allowances of \$530 and \$560, respectively	24,844	25,745
Employee receivables	119	194
Other receivables	882	192
Inventories	36,794	38,562
Prepaid expenses and other assets	1,463	1,031
Deferred income tax assets	3	2
Income tax refunds receivable	105	82
Total current assets	76,409	75,646
PROPERTY AND EQUIPMENT:		
Land and land improvements	8,107	7,935
Building	43,111	43,111
Manufacturing equipment	61,531	54,400
Furniture and fixtures	17,456	15,910
Leasehold improvements	10,039	7,699
Construction-in-progress	8,565	7,313
Total	148,809	136,368
Less accumulated depreciation and amortization	(50,521)	(43,985)
Property and equipment—net	98,288	92,383
OTHER ASSETS:		
Other intangibles - less accumulated amortization of \$2,085 and \$1,519, respectively	6,438	4,350
Goodwill	9,099	7,541
Other assets	2,844	2,656
Deferred income tax assets	3	2
Deposits	84	90
Total other assets	18,468	14,639
TOTAL ASSETS	\$ 193,165	\$ 182,668

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2007 AND DECEMBER 31, 2006
(In Thousands - Unaudited)

	September 30, 2007	December 31, 2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	10,158	10,598
Accrued expenses	9,880	8,464
Advances from employees	214	245
Deferred income tax liabilities	97	190
Income taxes payable	138	1,177
Total current liabilities	20,487	20,674
DEFERRED INCOME TAX LIABILITIES	5,541	5,469
LIABILITIES RELATED TO UNRECOGNIZED TAX POSITIONS	3,388	
DEFERRED COMPENSATION PAYABLE	2,893	2,869
DEFERRED CREDITS	2,134	2,239
OTHER LONG-TERM OBLIGATIONS	435	205
Total liabilities	34,878	31,456
STOCKHOLDERS' EQUITY:		
Preferred stock—5,000 shares authorized as of September 30, 2007, no shares issued		
Common stock—no par value; 50,000 shares authorized; 27,304 and 27,647 shares issued at September 30, 2007 and December 31, 2006, respectively	51,088	54,394
Retained earnings	107,220	96,969
Accumulated other comprehensive loss	(21)	(151)
Total stockholders' equity	158,287	151,212
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 193,165	\$ 182,668

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(In Thousands Except Earnings Per Share - Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
NET SALES	\$ 50,584	\$ 46,697	\$ 153,425	\$ 139,858
COST OF SALES	30,801	28,629	95,247	85,743
GROSS PROFIT	19,783	18,068	58,178	54,115
OPERATING EXPENSES:				
Selling, general, and administrative	11,707	10,813	35,580	33,577
Research and development	1,990	2,119	6,561	6,221
Total operating expenses	13,697	12,932	42,141	39,798
INCOME FROM OPERATIONS	6,086	5,136	16,037	14,317

OTHER INCOME (EXPENSE):				
Interest income	96	69	248	179
Other income (expense)	4	20	2	(45)
Other income - net	100	89	250	134
INCOME BEFORE INCOME TAXES	6,186	5,225	16,287	14,451
INCOME TAX EXPENSE	1,891	1,900	5,427	5,203
NET INCOME	\$ 4,295	\$ 3,325	\$ 10,860	\$ 9,248
EARNINGS PER COMMON SHARE:				
Basic	\$.16	\$.12	\$.40	\$.34
Diluted	\$.15	\$.12	\$.38	\$.33
AVERAGE COMMON SHARES:				
Basic	27,327	27,363	27,453	27,274
Diluted	28,031	28,287	28,260	28,116

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(In Thousands -Unaudited)

	Nine Months Ended September 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,860	\$ 9,248
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,890	6,078
Losses on sales and/or abandonment of equipment	252	161
Write-off of certain patents and trademarks	95	40
Amortization of deferred credits	(105)	(135)
Deferred income taxes	1,332	(373)
Stock-based compensation	759	1,196
Tax benefit attributable to appreciation of common stock options exercised	(216)	(508)
Changes in operating assets and liabilities net of effects from acquisitions:		
Trade receivables	1,139	2,267
Employee receivables	74	(48)
Other receivables	(690)	(178)
Inventories	2,422	(5,149)
Prepaid expenses and other assets	(425)	(534)
Income tax refund receivables	(16)	959
Deposits	6	2
Trade payables	(2,317)	85
Accrued expenses	1,305	230
Advances from employees	(38)	(111)
Income taxes payable	720	1,555
Liabilities related to unrecognized tax positions	(141)	
Other liabilities		(38)
Total adjustments	11,046	5,499
Net cash provided by operating activities	21,906	14,747
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(11,256)	(11,754)
Patents and trademarks	(143)	(236)
Increase in cash surrender value of life insurance contracts	(188)	(296)
Proceeds from the sale of equipment	9	26

Cash paid in acquisitions	(4,218)	(2,802)
Net cash used in investing activities	(15,796)	(15,062)

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(In Thousands - Unaudited)

	Nine Months Ended September 30,	
	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Issuance of common stock	\$ 1,127	\$ 1,805
Principal payments on long-term debt		1
Common stock repurchased and retired	(5,408)	
Increase in deferred compensation payable	24	230
Excess tax benefits from stock-based compensation	216	508
Net cash (used by) provided by financing activities	(4,041)	2,544
EFFECT OF EXCHANGE RATES ON CASH	292	131
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,361	2,360
CASH AND CASH EQUIVALENTS:		
Beginning of period	9,838	4,645
End of period	\$ 12,199	\$ 7,005
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—Cash paid during the period for:		
Interest	\$ 3	\$ 7
Income taxes	\$ 3,520	\$ 3,019

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the nine months ended September 30, 2007, we entered into a Distribution Agreement with GMA Company, Ltd (“GMA”), a Japanese corporation, for the exclusive distribution rights to sell a micro-catheter. In September, 2007, we paid \$500,000 in to GMA and have accrued an additional \$500,000 payable due upon receipt of certain information to assist in the filing of a Section 510(k) permitting application with the Food and Drug Administration (“FDA”). We also paid \$4,000 in September, 2007 to an outside firm for an asset valuation. An additional \$1.0 million is payable to GMA upon reaching certain milestones identified in the Distribution Agreement. Achievement of those milestones is not determinable at this time. The purchase price was allocated preliminarily to a distribution agreement for \$1,004,000.

Fair value of assets acquired	\$ 1,004,000
Cash paid	(504,000)
Accrued purchase price	(500,000)
Liabilities assumed	None

During the nine months ended September 30, 2007, we entered into a Patent Assignment and Royalty Agreement with Lightek Corporation, (“Lightek”) a Wyoming corporation, to manufacture and sell a radio-opaque band. We made an initial payment of \$228,000 to Lightek and an additional \$400,000 would be payable if we reach certain milestones identified in the Patent Assignment and Royalty Agreement. Achievement of the milestones is not certain at this time. In addition, we agreed to a royalty payment of 3% of net sales during the life of a pending patent. We have estimated a discounted royalty payment of \$75,000, over the life of the pending patent, using an incremental borrowing rate of 6%.

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(In Thousands - Unaudited)

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES (Continued):

Based on management's evaluation of the purchase agreement, we plan to record the royalty payments as an addition to the cost of the acquisition. We also plan to pay \$10,000 to an outside firm to complete an asset valuation. The purchase price will be allocated based on preliminarily fair values to developed technology for \$188,000, (Customer Relationships) for \$470,000, and goodwill for \$55,000.

Fair value of assets acquired	\$ 228,000
Cash paid	<u>(228,000)</u>
Liabilities assumed	<u>None</u>

During the nine months ended September 30, 2007, we acquired other intangibles (Customer Relationships) of Medrad Sweden, AB ("Medrad"), a Swedish company, in a purchase transaction for \$124,036. The purchase price was allocated to other intangibles (Customer Relationships) for \$124,036.

Fair value of assets acquired	\$ 124,036
Cash paid	<u>(124,036)</u>
Liabilities assumed	<u>None</u>

During the nine months ended September 30, 2007, we entered into a distribution agreement with Milamy Partners LLC, ("Milamy") a Maine corporation, wherein we purchased the exclusive, worldwide right to distribute their KanguruWeb® Abdominal Retraction System in vascular lab markets for \$350,000. As part of the distribution agreement, we received a customer list for the distribution agreements terminated by Milamy for their domestic and international sales to vascular labs. The purchase price was allocated to other intangibles (Customer Relationships) for \$350,000.

Fair value of assets acquired	\$ 350,000
Cash paid	<u>(350,000)</u>
Liabilities assumed	<u>None</u>

During the nine months ended September 30, 2007, we entered into an asset purchase agreement with Datascope Corporation, ("Datascope") a New Jersey corporation, to purchase its ProGuide™ catheter in a purchase transaction for \$3,290,731, including future minimum royalty payments of \$279,181. In connection with this agreement we acquired assets, inventory, a customer list, patents and a trademark. The purchase price was allocated based on estimated fair values to fixed assets for \$25,971, inventory for \$806,508, a customer list for \$230,000, patents for \$480,000, a trademark for \$130,000, a covenant not to compete for \$60,000 and goodwill for \$1,558,252.

Fair value of assets acquired (including goodwill of \$1,558,252)	\$ 3,290,731
Cash paid	<u>(3,011,550)</u>
Liabilities assumed	<u>\$ (279,181)</u>

During the nine months ended September 30, 2006, we acquired certain assets and other intangibles (Customer Relationships) of Hypoguard USA, Inc. ("Hypoguard") in a purchase transaction for \$1,290,077. The purchase price was preliminarily allocated between fixed assets for \$178,573, inventory for \$149,821, a customer list for \$300,000 and goodwill for \$661,683.

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(In Thousands - Unaudited)

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES (Continued):

Fair value of assets acquired (including goodwill of \$661,683)	\$ 1,290,077
Cash paid	(790,077)
Accrued purchase price	<u>(500,000)</u>
Liabilities assumed	<u>None</u>

During the nine months ended September 30, 2006, we acquired certain assets of Millimed A/S, a corporation organized under the laws of Denmark, and Millimed Holdings, Inc., a Delaware corporation, (together “Millimed”) in a purchase transaction for \$1,510,878. The purchase price was preliminarily allocated between fixed assets for \$135,590, inventory for \$461,790 and goodwill for \$913,498.

Fair value of assets acquired (including goodwill of \$913,498)	\$ 1,510,878
Cash paid	(1,510,878)
Liabilities assumed	None

During the nine months ended September 30, 2006, we acquired certain know-how and formulas from a medical device company to produce a medical product in a purchase transaction for approximately \$742,501. The purchase price was allocated to other intangibles (Product Technology) for \$742,501. We have accrued for an additional purchase price payment of \$241,464 in other payables.

Fair value of assets acquired	\$ 742,501
Cash paid	(501,037)
Accrued purchase price	(241,464)
Liabilities assumed	NONE

As of September 30, 2007 and 2006, \$1.0 million and \$1.6 million, respectively, of additions to plant, equipment, and other asset purchases were accrued as accounts payable.

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation. The interim consolidated financial statements of Merit Medical Systems, Inc. (“Merit,” “we” or “us”) for the three and nine-month periods ended September 30, 2007 and 2006 are not audited. Our consolidated financial statements are prepared in accordance with the requirements for unaudited interim periods, and consequently, do not include all disclosures required to be in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial position as of September 30, 2007, and our results of operations and cash flows for the three and nine-month periods ended September 30, 2007 and 2006. The results of operations for the three and nine-month periods ended September 30, 2007 are not necessarily indicative of the results for a full-year period. These interim consolidated financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission (the “SEC”).

Reclassifications. Certain other amounts have been reclassified in the prior year’s financial statements to conform with the current year’s presentation.

2. Inventories. Inventories are stated at the lower of cost or market. Inventories at September 30, 2007 and December 31, 2006 consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Finished goods	\$ 20,031	\$ 20,524
Work-in-process	5,457	3,714
Raw materials	11,306	14,324
Total	\$ 36,794	\$ 38,562

3. Reporting Comprehensive Income. Comprehensive income for the three and nine-month periods ended September 30, 2007 and 2006 consisted of net income and foreign currency translation adjustments. As of September 30, 2007 and December 31, 2006, the cumulative effect of such adjustments reduced stockholders’ equity by \$21,073 and \$151,048, respectively. Comprehensive income for the three and nine-month periods ended September 30, 2007 and 2006 has been computed as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 4,295	\$ 3,325	\$ 10,860	\$ 9,248
Foreign currency translation	96	(15)	130	131
Comprehensive income	\$ 4,391	\$ 3,310	\$ 10,990	\$ 9,379

4. Stock-based Compensation. Stock-based compensation expense for the three and nine-month periods ended September 30, 2007 and 2006 has been computed as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006

Cost of goods sold	\$	76	\$	88	\$	149	\$	313
Research and development		36		44		65		134
Selling, general and administrative		251		300		545		749
Total pre-tax stock expense	\$	<u>363</u>	\$	<u>432</u>	\$	<u>759</u>	\$	<u>1,196</u>

This stock-based compensation created a tax benefit of \$38,000 and \$216,000 for the three and nine-month periods ended September 30, 2007, respectively, when compared to \$147,000 and \$508,000 for the three and nine-month periods ended September 30, 2006, respectively. As of September 30, 2007, the total remaining

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unrecognized compensation cost related to non-vested stock options, net of forfeitures, was approximately \$2.8 million and is expected to be recognized over a weighted average period of 3.51 years. During the nine months ended September 30, 2007 there were 419,500 options of Merit common stock granted. We use the Black-Scholes method to value the stock compensation expense for options. In applying the Black-Scholes methodology to the option grants, we used the following assumptions:

	Ended September 30,	
	2007	2006
Risk-free interest rate	4.61%-5.00%	4.98%
Expected option life	6 years	6.08 years
Expected price volatility	46.3%-47.8%	41.90%

The average risk-free interest rate is determined using the U.S. Treasury rate in effect as of the date of grant, based on the expected term of the stock option. We determined the expected term of the stock options using the historical exercise behavior of employees. The expected price volatility was determined using a weighted average of daily historical volatility of our stock price over the corresponding expected option life and implied volatility based on recent trends of the daily historical volatility.

5. Shares Used in Computing Net Income Per Share. The following table sets forth the computation of the number of shares used in calculating basic and diluted net income per share (in thousands) for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Weighted-average shares outstanding used for calculation of net income per share-basic	27,327	27,363	27,453	27,274
Common stock equivalents	704	924	807	842
Total shares used for calculation of net income per share-diluted	28,031	28,287	28,260	28,116
Weighted-average shares under stock options excluded from the calculation of common stock equivalents as the impact was anti-dilutive	2,195	1,399	1,477	1,366

6. Acquisitions. On August 7, 2007, we entered into a Distribution Agreement with GMA for the exclusive distribution rights to sell a micro-catheter. We made an initial payment of \$500,000 in September 2007 to GMA and have accrued an additional \$500,000 payable due upon receipt of certain information to assist in the filing of a Section 510(k) permitting application with the FDA. We paid \$4,000 in September, 2007 to an outside firm for an asset valuation. An additional \$1.0 million would be payable to GMA upon reaching certain milestones identified in the Distribution Agreement. Achievement of those milestones is not certain at this time. We anticipate that the distribution agreement will be amortized over an estimated life of ten years.

On July 17, 2007, we entered into a Patent Assignment and Royalty Agreement with Lightek to manufacture and sell a radio-opaque band. We made an initial payment of \$228,000 to Lightek and an additional \$400,000 would be payable if we reach certain milestones identified in the Patent Assignment and Royalty Agreement. Achievement of the milestones is not certain at this time. In addition, we agreed to a royalty payment of 3% of net sales during the life of a pending patent. We have estimated a discounted royalty payment of \$75,000, over the life of the pending patent, using an incremental borrowing rate of 6%. Based on management's evaluation of the purchase agreement, we plan to record the royalty payments as an addition to the cost of the acquisition. We also plan to pay \$10,000 to an outside firm to complete an asset valuation. The purchase price will be allocated based on preliminarily fair values to developed technology for \$188,000, (Customer Relationships) for \$470,000, and goodwill for \$55,000. Customer relationships will be amortized on an accelerated basis over 5 years and developed technology over 10 years. The radio-opaque band can be placed on a catheter to be used as x-ray markers for positioning of the catheter by a physician.

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On February 14, 2007, we terminated our exclusive sales distributor agreement with Medrad and purchased the customer list and information we believe will be necessary for us to conduct direct sales in Sweden. The purchase price of \$124,036 was allocated to other intangibles (Customer Relationships). Customer relationships will be amortized on an accelerated basis over 5 years.

On February 2, 2007, we entered into a distribution agreement with Milamy, wherein we purchased the exclusive worldwide right to distribute the KanguruWeb® Abdominal Retraction System in the vascular lab markets. Milamy terminated their current domestic and international distribution agreements and restricted their direct sales to non-vascular lab markets only. We paid \$350,000 for the exclusive worldwide distribution rights in vascular lab markets,

which amount was allocated to other intangibles (Customer Relationships). Customer relationships will be amortized on an accelerated basis over 5 years. The KanguruWeb® Abdominal Retraction System provides retraction of the abdominal pannus for unrestricted access to the femoral site.

On February 26, 2007, we entered into an Asset Purchase Agreement with Datascope to purchase certain assets for the manufacture and sale of the ProGuide™ catheter for \$3,290,731, including future minimum royalty payments of \$279,181. In connection with this agreement, we acquired assets, inventory, a customer list, patents and a trademark. The purchase price was preliminarily allocated to fixed assets for \$25,971, inventory for \$806,508, a customer list for \$230,000, patents for \$480,000, a trademark for \$130,000, a covenant not to compete for \$60,000 and goodwill for \$1,558,252, based on an independent valuation of the fair value of assets acquired. In addition, we agreed to a running royalty payment of 5% of net sales through 2014, with a minimum annual payment of \$50,000. Based on management's evaluation of the purchase agreement, we recorded the additional minimum earn-out payment as an assumed liability and an addition to the cost of the acquisition. The minimum running royalty payment of \$350,000 to be paid through 2014 was discounted using our incremental borrowing rate of 6% to arrive at an assumed liability of \$279,181. The ProGuide™ catheter is a chronic dialysis catheter used in attaining long-term vascular access for hemodialysis and apheresis.

On March 31, 2006, we entered into an Asset Purchase Agreement with Millimed to purchase certain assets for the manufacture and sale of a hemostasis valve, for a purchase price including legal fees of \$1,510,878. Merit made an initial payment on April 3, 2006 of \$1.0 million to Millimed, with additional payment of \$500,000 made in July, after the successful transfer of the production of the product to Merit's facility in Galway, Ireland. The purchase price was preliminarily allocated between fixed assets for \$135,590, inventory for \$461,790 and goodwill for \$913,498. With the purchase of this product line, we believe we will be able to broaden our hemostasis product offerings as well as compete against other competitors which have similar devices.

On April 7, 2006, Merit entered into an Asset Purchase Agreement with Hypoguard to purchase certain assets for the manufacture and sale of auto-retractable safety scalpels, for a purchase price including legal fees and freights costs to transport fixed assets of \$790,077. Merit made an initial payment of \$750,000 to Hypoguard with a potential earn-out payment of \$500,000 due upon reaching certain sales milestones. During the third quarter of 2006, Hypoguard reached their sales milestone. We have accrued for the additional \$500,000 in other payables in the financial statements as it was earned at the end of September 30, 2006. This additional payment has been included in the initial purchase price. The purchase price was preliminarily allocated between fixed assets for \$178,573, inventory for \$149,821, other intangibles (Customer Relationships) for \$300,000 and goodwill for \$661,683. Customer Relationships will be amortized on an accelerated basis over 5 years. Disposable safety scalpels are used in various medical procedures for the purpose of minimizing accidents to health care workers. Merit intends to use scalpel product line and technology to broaden product offerings related to customs kits, procedure trays and OEM business.

On August 1, of 2006, Merit entered in an exclusive agreement with a medical device company to purchase the product know-how and formulas for medical products for approximately \$1.0 million. During the third quarter of 2006, we made two installment payments totaling \$501,037 and accrued in other payables for \$241,464 for an additional payment in accordance with SFAS No. 141, *Business Combination*, paragraph 26 and 27, as we consider it is certain upon a reasonable doubt that the contingent payment will occur through the passage of time. Also, in accordance with SFAS No. 141, *Business Combination*, paragraph 26 and 27, we have not recorded a fourth payment due of approximately \$250,000 as it is not certain upon a reasonable doubt that the criteria obligating by us to pay will in fact occur. If the final earn out payment occurs it will be included in the initial purchase price. The purchase price was allocated to other intangible for \$742,501 (Product Technology). With the product know-how and formulas pursuant to this exclusive agreement, we intend to develop and replace certain current products. We also intend to improve our product quality, reduce costs and expand our market potential.

7. Recent Accounting Pronouncements. In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS 157 "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value. SFAS 157 expands the disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. The disclosures focus on the inputs used to measure fair value, the recurring fair value measurements using significant unobservable inputs and the effect of the measurement on earnings (or changes in net assets) for the period. The guidance in SFAS 157 also applies for derivatives and other financial instruments measured at fair value under SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" at initial recognition and in all subsequent periods. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently reviewing the requirements of SFAS 157 and, at this point in time, have not determined what impact, if any, SFAS 157 will have on our results of operations and financial condition.

In February 2007, the FASB issued SFAS 159 "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement requires a business entity to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. An entity may decide whether to elect the fair value option for each eligible item on its election date, subject to certain requirements described in the statement. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently reviewing the requirements of SFAS 159 and, at this point in time, have not determined the impact, if any, that this statement may have on our results of operations and financial position.

8. Income Taxes. In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109, *Accounting for Income Taxes*. Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts.

We adopted the provisions of FIN 48 on January 1, 2007. As a result of this adoption, we recognized a cumulative-effect adjustment of approximately \$610,000, increasing our liability for unrecognized tax benefits and reducing the January 1, 2007 balance of retained earnings. The total liability for unrecognized tax benefits at January 1, 2007, including temporary tax differences, was approximately \$3.4 million, of which approximately \$1.7 million would favorably impact our effective tax rate if recognized. As of January 1, 2007, we accrued approximately \$228,000 in interest and penalties related to

unrecognized tax benefits. We account for interest expense and penalties for unrecognized tax benefits as part of our income tax provision. We do not anticipate that unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date.

During the three and nine-month periods ended September 30, 2007, we recorded a benefit of approximately \$308,000 and \$36,000, respectively, related to the reversal of unrecognized tax benefits that have favorably impacted our effective tax rate. The income tax benefit of approximately \$308,000 recorded during the third quarter of 2007 related to the lapsing of the statute of limitations on federal and state tax returns. Included in these amounts is a decrease of approximately \$39,000 and an increase of approximately \$3,000 for the three and nine-month periods ended September 30, 2007, respectively, related to interest expense and penalties. The total outstanding balance for liabilities related to unrecognized tax benefits at September 30, 2007 was \$3.4 million.

Our federal and state income tax returns for 2002 through 2006 are open tax years. We are in several foreign tax jurisdictions which have open tax years from 2003 through 2006.

9. Subsequent Events. On November 2, 2007, we entered into a nonbinding agreement to buy the cardiac and peripheral catheter technology and inventory from Micrus Endovascular Corporation for \$3.0 million. We expect to close the deal by the end of the year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Disclosure Regarding Forward-Looking Statements

This Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical fact, are forward-looking statements for purposes of these provisions, including any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All forward-looking statements included in this Report are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any forward-looking statement. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "intends," "believes," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that any such expectations or any forward-looking statement will prove to be correct. Our actual results will vary, and may vary materially, from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, without limitation, market acceptance of our products, product introductions, potential product recalls, changes in customer preferences, order volumes or shifts in demand for our products, delays in obtaining regulatory approvals, or the failure to maintain such approvals, cost increases, fluctuations in and obsolescence of inventory, price and product competition, availability of labor and materials, development of new products and technology that could render our products obsolete, product liability claims, modification or limitation of governmental or private insurance reimbursement procedures, infringement of our technology or the assertion that our technology infringes the rights of other parties, foreign currency fluctuations, challenges associated with our growth strategy, changes in healthcare markets related to healthcare reform initiatives, and other factors referred to in our press releases and reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2006. All subsequent forward-looking statements attributable to Merit or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Additional factors that may have a direct bearing on our operating results are described under "Risk Factors" beginning on page 17 below.

Overview

For the quarter ended September 30, 2007 we reported revenues of \$50.6 million, up 8% from the three months ended September 30, 2006 of \$46.7 million. Revenues for the nine months ended September 30, 2007 were a record \$153.4 million, compared with \$139.9 million for the same nine months in 2006, a gain of 10%.

Gross margins were 39.1% and 37.9% of sales for the three and nine-month periods ended September 30, 2007, respectively, compared to 38.7% of sales for both the three and nine-month periods ended September 30, 2006, respectively. This was the first quarter in 13 months that our gross margin percentage increased, as compared to the corresponding quarter of the prior year. The increase in gross margin percentage for the third quarter of 2007, as compared to the third quarter of 2006, was primarily attributed to production efficiencies resulting in lower production headcount, product mix improvement, the transfer of the manufacturing process of four products to Mexico, and the completion of certain automation projects. The decrease in gross margin percentage for the nine months ended September 30, 2007, when compared to the prior year period, was primarily attributed to an increase in wages, additional headcount, an increase in the sale of lower-margin kits, inventory obsolescence and higher health benefit costs. We continue to focus our efforts on improving gross margins through production efficiencies, automation projections, transfer of product production to Mexico, raising some customers' prices, and discontinuing some lower-margin business.

Net income was up for the three months ended September 30, 2007 to \$4.3 million, compared to \$3.3 million for the same period of 2006, an increase of 29%. For the nine-month period ended September 30, 2007 net income increased to \$10.9 million, compared to \$9.2 million for the same period of 2006, an increase of 17%.

Results of Operations

The following table sets forth certain operational data as a percentage of sales for the three and nine-month periods ended September 30, 2007 and 2006:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Sales	100.0%	100.0%	100.0%	100.0%
Gross profit	39.1	38.7	37.9	38.7
Selling, general and administrative expenses	23.1	23.2	23.2	24.0
Research and development expenses	3.9	4.5	4.3	4.4
Income from operations	12.0	11.0	10.5	10.2
Other income	0.2	0.2	0.2	0.1
Net income	8.5	7.1	7.1	6.6

Sales. Sales for the three months ended September 30, 2007 increased by 8%, or approximately \$3.9 million, compared to the same period of 2006. Sales for the nine months ended September 30, 2007 increased by 10%, or approximately \$13.6 million, compared to the same period of 2006. We currently report sales in four product categories. Listed below are the sales relating to these product categories for the three and nine-month periods ended September 30, 2007 and 2006 (in thousands).

	Three Months Ended September 30,			Nine Months Ended September 30,		
	% Change	2007	2006	% Change	2007	2006
Stand-alone devices	9%	\$ 15,293	\$ 14,063	12%	\$ 45,814	\$ 41,016
Custom kits and procedure trays	2%	13,902	13,611	10%	45,135	41,120
Inflation devices	10%	14,917	13,550	4%	43,451	41,715
Catheters	18%	6,472	5,473	19%	19,025	16,007
Total	8%	\$ 50,584	\$ 46,697	10%	\$ 153,425	\$ 139,858

The sales growth of 8% for the third quarter of 2007, when compared to the same period of 2006, was favorably affected by increased sales of inflation devices to an OEM customer, stand-alone devices (MCTec metal coated products, sensor based products and maps), and catheters (Prelude® sheath product line, Resolve® locking drainage catheters and the Proguide™ chronic dialysis catheter). The sales growth of 10% for the nine month-period ended September 30, 2007, when compared to the same period of 2006, was favorably affected by increased sales of custom kits and procedure trays (of which 80% came from increased sales of procedure trays), stand-alone devices (maps, stopcocks and safety scalpels) and catheters (particularly our Mini Access Kit™ catheter product line, Prelude® sheath product line and Resolve® locking drainage catheter line).

Gross Profit. Gross margins were 39.1% and 37.9% of sales for the three and nine-month periods ended September 30, 2007, respectively, compared to 38.7% of sales for both the three and nine-month periods ended September 30, 2006, respectively. The increase in gross margin percentage for the third quarter of 2007, as compared to the third quarter of 2006, was primarily attributed to production efficiencies resulting in lower headcount, product mix improvement, the transfer of the manufacturing process of four products to Mexico, and the completion of certain automation projects. The decrease in gross margins for the nine months ended September 30, 2007, when compared to the prior year period, was primarily attributed to an increase in wages, additional headcount, an increase in the sale of lower-margin kits, inventory obsolescence and higher health benefit costs.

Operating Expenses. Selling, general and administrative expenses were down slightly at 23.1% of sales for the three months ended September 30, 2007, compared with 23.2% of sales for the three months ended September 30, 2006. For the nine months ended September 30, 2007, selling, general and administrative expenses decreased to 23.2% compared with 24.0% of sales for the nine months ended September 30, 2006. The decrease in selling, general and administrative expenses as a percentage of sales during the three and nine-month periods ended September 30, 2007, when compared to the comparable period of 2006, was due primarily to increased operating leverage resulting, in large part, from hiring 17 additional sales representatives during the second half of 2005. Research and development expenses decreased to 3.9% of sales for the three months ended September 30, 2007,

compared with 4.5% of sales for the three months ended September 30, 2006. This decrease was primarily attributable to an accrued benefit received for a research and development grant obtained from the Irish Development Agency for the development of a new product in Ireland. Research and development expenses were down slightly at 4.3% compared with 4.4% of sales for the nine-month periods ended September 30, 2007 and 2006, respectively.

Other Income. Other income for the third quarter of 2007 was approximately \$100,000, compared to other income of approximately \$89,000 for the same period in 2006. Other income for the nine months ended September 30, 2007 was approximately \$250,000, compared to other income of approximately \$134,000 for the same period in 2006. The net change in other income for the three and nine-month periods ended September 30, 2007 when compared to the same periods in 2006 was primarily the result of an increase in interest income as the result of a higher average cash balances and higher interest rates, when compared to the same period in 2006.

Income Taxes. Our effective tax rate for the three months ended September 30, 2007 was 30.5%, compared to 36.4% for the same period of 2006. For the nine months ended September 30, 2007, our effective tax rate was 33.3%, compared to 36.0% for the same period in 2006. The decrease in the effective tax rate for the three and nine-month periods ended September 30, 2007, when compared to the comparable periods of 2006, was primarily the result of FIN 48 adjustment of approximately \$308,000 of unrecognized tax benefits which expired for federal and state tax returns on September 15, 2007.

Income. During the third quarter of 2007, we reported income from operations of \$6.1 million, an increase of 18%, up from \$5.1 million for the comparable period in 2006. For the nine months ended September 30, 2007, we reported income from operations of \$16.0 million, an increase of 12% from \$14.3 million for the comparable period in 2006. When compared to the comparable periods of 2006, income from operations for the three and nine-month periods ended September 30, 2007 was positively affected by increased sales volumes, lower selling, general and administrative expenses as a percentage of sales and lower research and development expenses as a percentage of sales. Gross margins for the three months ended September 30, 2007, when compared to the prior year period, contributed towards increased income from operations for the third quarter of 2007. These factors, along with a lower effective tax rate, contributed

to higher net income of \$4.3 million and \$10.9 million for the three and nine-month periods ended September 30, 2007, respectively, compared to net income of \$3.3 million and \$9.2 million for the same periods of 2006.

Liquidity and Capital Resources

At September 30, 2007, we had \$12.2 million in cash and cash equivalents. These amounts consisted of cash, commercial paper and municipal bonds. This balance represents a \$2.4 million increase in cash when compared to cash and cash equivalents at December 31, 2006.

Our working capital as of September 30, 2007 and December 31, 2006 was \$55.9 million and \$55.0 million, respectively. Our day's sales outstanding ("DSO") on trade receivables improved from 48 DSO at 2006 year-end to 43 DSO at September 30, 2007. We generated cash from operations for the nine months ended September 30, 2007 in the amount of \$21.9 million, an increase of 49%, from \$14.7 for the comparable period in 2006. This increase was primarily the result of a decrease in inventory of \$2.4 million for the nine months ended September 30, 2007, when compared to the comparable period in 2006, which had an increase of \$5.1 million in inventory. As of September 30, 2007, we had a current ratio of 3.7 to 1.

On December 7, 2006, we entered into an unsecured loan agreement with Bank of America, whereby they agreed to provide us a line of credit in the amount of \$30 million, expiring on December 7, 2010. In addition, on December 8, 2006, we entered into an unsecured loan agreement with Zion's First National Bank, whereby they agreed to provide us with a line of credit in the amount of \$1 million. We had \$0 outstanding under our lines of credit at September 30, 2007.

Historically, we have incurred significant expenses in connection with product development and introduction of new products. Our principal sources of funding for these and other expenses have historically been cash generated from operations, sales of equity, cash from loans on equipment, and bank lines of credit. We currently believe that our present sources of liquidity and capital are adequate to conduct our current operations for the foreseeable future.

Contractual Obligations

We have certain fixed contractual lease and royalty obligations that include future estimated payments. These commitments are discussed in our Annual Report on Form 10-K for the year ended December 31, 2006 in our Management's Discussion and Analysis of Financial Condition and Results of Operations under "Capital Commitments." We adopted the provisions of Financial Accounting Standards Board Interpretation ("FIN") No. 48 for unrecognized tax positions on January 1, 2007. We are subject to income tax audits by federal, state and foreign tax authorities. If under examination by tax authorities we are unsuccessful in our unrecognized tax positions, future tax payments may be required. Although, we are currently under audit by the Internal Revenue Service for years 2002 and 2004, we are unaware of any material future payments that may be required at this time related to these ongoing audits. Based on uncertainties associated with the settlement of these items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities.

Critical Accounting Policies and Estimates

The SEC has requested that all registrants address their most critical accounting policies. The SEC has indicated that a "critical accounting policy" is one which is both important to the representation of the registrant's financial condition and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on past experience and on various other assumptions our management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results will differ, and may differ materially, from these estimates under different assumptions or conditions. Additionally, changes in accounting estimates could occur in the future from period to period. Our management has discussed the development, and selection of our most critical financial estimates with the Audit Committee of our Board of Directors. The following paragraphs identify our most critical accounting policies:

Inventory Obsolescence Reserve: On a regular basis, our management reviews inventory quantities on hand for unmarketable and/or slow-moving products that may expire prior to being sold. This review of inventory quantities for unmarketable and/or slow moving products is based on estimates of forecasted product demand prior to expiration dates. If market conditions become less favorable than those projected by our management, then additional inventory write-downs may be required. We believe that the amount included in our obsolescence reserve has been a historically accurate estimate of the unmarketable and/or slow moving products that may expire prior to being sold. Our obsolescence reserve was approximately \$2.2 million as of September 30, 2007.

Allowance for Doubtful Accounts: A majority of our receivables are with hospitals which, over our history, have demonstrated favorable collection rates. Therefore, we have experienced relatively minimal bad debts from hospital customers. In limited circumstances, we have written off minimal bad debts as the result of the termination of foreign distributors. The most significant write-offs over our history have come from U.S. packers who bundle our products in surgical trays.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance is based upon historical experience and a review of individual customer balances. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Our bad debt reserve was approximately \$530,000 at September 30, 2007, which is in line with our historical collection experience.

Stock-Based Compensation: We account for stock-based compensation in accordance with SFAS No. 123(R), *Share-Based Payment*. Under the fair value recognition provisions of this statement, we measure share-based compensation cost at the grant date based on the value of the award and recognize the cost as an expense over the term of the vesting period. Judgment is required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

Income Taxes: We adopted the provisions of FIN 48 effective January 1, 2007. Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with

the tax authorities assuming full knowledge of the position and all relevant facts. Although we believe our provisions for FIN 48 unrecognized tax positions are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our income tax provisions and accruals. The tax law is subject to varied interpretations, and we have taken positions related to certain matters where the law is subject to interpretation. Such differences could have a material impact on our income tax provisions and operating results in the period(s) in which we make such determination.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal market risk relates to changes in the value of the Euro and Great Britain Pound (“GBP”) relative to the value of the U.S. Dollar. Our consolidated financial statements are denominated in, and our principal currency is, the U.S. Dollar. A portion of our revenues (\$5.6 million, representing approximately 11.1% of aggregate revenues), for the quarter ended September 30, 2007 was attributable to sales that were denominated in Euros, Danish Krone, Swedish Krone and GBPs. Certain expenses are denominated in Euros, Danish Krone, Swedish Krone and GBPs, which partially offsets risks associated with fluctuations of exchange rates between the Euro and GBP on the one hand, and the U.S. Dollar on the other hand. Because of our Euro and GBP-denominated revenues and expenses, in a year in which our Euro and GBP-denominated revenues exceed our Euro and GBP-based expenses, the value of such Euro and GBP-denominated net income increases if the value of the Euro and GBP increase relative to the value of the U.S. Dollar, and decreases if the value of the Euro and GBP decrease relative to the value of the U. S. Dollar. During the quarter ended September 30, 2007, the exchange rate between the Euro and GBP against the U.S. Dollar resulted in an increase of our gross revenues of approximately \$352,000 and 0.06% in gross profit.

At September 30, 2007, we had a net exposure representing the difference between Euro and GBP denominated receivables and Euro and GBP denominated payables of approximately €504,000 and £313,000, respectively. In order to partially offset such risks, at August 31, 2007, we entered into a 30-day forward contract for Euro and GBP. We generally enter into similar economic transactions at various times during the year to partially offset exchange rate risks we bear throughout the year. We do not purchase or hold derivative financial instruments for speculative or trading purposes. These 30-day forward foreign exchange contracts are not expected to have a material effect on our financial statements, given the small amounts hedged. During the three and nine-month periods ended September 30, 2007, we experienced a net gain of approximately \$3,000 and net loss of approximately \$19,000, respectively, on hedging transactions we executed during those periods in an effort to limit our exposure to fluctuations in the Euro and GBP against the U.S. Dollar exchange rates.

As of September 30, 2007, we had no variable rate debt. As long as we do not have variable rate debt, our interest expense would not be affected by changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of September 30, 2007. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There were no significant changes (including corrective actions with regard to material weaknesses) in our internal control over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to other information set forth in this Report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing Merit. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS

The following table presents our repurchases of common stock for each of the three months included in the quarter ended September 30, 2007:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1 - 31, 2007	60,100	\$ 11.25		
August 1 - 31, 2007	47,000	11.20		
September 1 - 30, 2007	—	—	119,900	1,280,100

- (1) On April 30, 2007 our Board of Directors approved the repurchase of up to 1,400,000 shares of our common stock. We intend to make repurchases from time to time based on market conditions.

ITEM 5. OTHER INFORMATION

On November 7, 2007, our Board of Directors unanimously approved a resolution providing for the amendment and restatement of our Bylaws. A copy of the Amended and Restated Bylaws approved by our Board of Directors and which became effective on November 7, 2007 is attached hereto as Exhibit 3.3 to this Report.

The following paragraphs summarize the principal provisions of our Amended and Restated Bylaws which modify our prior Bylaws. The following summary does not provide a complete description of all of the provisions of the Amended and Restated Bylaws, and is qualified in its entirety by reference to the copy of the Amended and Restated Bylaws attached hereto as Exhibit 3.3.

The Amended and Restated Bylaws provide, among other things, that our annual meeting of shareholders (the "Annual Meeting") will be held at a date and time designated by our Board of Directors, and requires that shareholders receive notice of each Annual Meeting not less than ten nor more than 60 days prior to the date of such meeting. Our prior Bylaws stipulated that the Annual Meeting was to take place on the second Tuesday in May of each year, with notice required not more than 50 days prior to that date. The Amended and Restated Bylaws also address how business may be properly brought before an Annual Meeting by a shareholder, whereas our prior Bylaws did not address such matters. These amendments include advance notice and other procedural requirements and disclosure and summary information requirements related to proposals and the shareholder making the proposal.

The Amended and Restated Bylaws provide that our Board of Directors shall consist of not less than three nor more than nine directors and shall be divided into three roughly equivalent classes. This provision is consistent with our Articles of Incorporation, as amended by our shareholders in 1997. Our prior Bylaws

provided that the initial number of directors serving on our Board of Directors was set at three. The Amended and Restated Bylaws also provide that the maximum number of directors may not be increased without the approval of two-thirds of the outstanding shares of our outstanding capital stock and notice of any special meeting of our Board of Directors must be given at least 24 hours prior to such meeting, as opposed to the two-day requirement of our prior Bylaws.

Other corporate governance matters addressed in our Amended and Restated Bylaws were not addressed in our prior Bylaws, including the procedure by which a shareholder may nominate a person for election as a director at an Annual Meeting or a special meeting of our shareholders, as well as the designation of committees by our Board of Directors.

The Amended and Restated Bylaws also address the issue of indemnification of our directors and officers and other individuals. Article XI of our prior Bylaws included a general provision providing for the indemnification of our directors and officers against expenses actually and reasonably incurred in defense of a civil or criminal suit in which the director or officer was made a party by reason of his or her position as a director or officer of Merit. The Amended and Restated Bylaws modify Article XI to provide for both mandatory and voluntary indemnification of directors and officers. Article XI of the Amended and Restated Bylaws requires us to indemnify directors and officers who have successfully defended a claim or suit brought by reason of their being a director or officer of Merit. In contrast, Article XI of the Amended and Restated Bylaws allows us to voluntarily indemnify director or officer only if, among other requirements, (i) we have authorized the payment in accordance with certain statutory provisions, (ii) the director or officer reasonably believed that his or her conduct was in Merit's best interests and that such conduct, in all other cases, was at least not opposed to Merit's best interests, and (iii) in the case of a criminal proceeding, the director or officer had no reasonable cause to believe his or her conduct was unlawful. In the event we are authorized to voluntarily indemnify a director or officer under Article XI of the Amended and Restated Bylaws, we may only reimburse the director or officer for reasonable expenses incurred by such director or officer in defense of the relevant claims. The Amended and Restated Bylaws do not permit us to indemnify a director or officer in any proceeding by Merit or in Merit's right involving receipt of an improper personal benefit by such individual. In addition, Article XI of the Amended and Restated Bylaws addresses, among other things, court-ordered indemnification, insurance, advancement of expenses, and the indemnification of various other individuals.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.3	Amended and Restated Bylaws of Merit Medical Systems, Inc.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERIT MEDICAL SYSTEMS, INC.

REGISTRANT

Date: November 8, 2007

/s/ Fred P. Lampropoulos

FRED P. LAMPROPOULOS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Date: November 8, 2007

/s/ Kent W. Stanger

KENT W. STANGER

CHIEF FINANCIAL OFFICER

AMENDED AND RESTATED
BYLAWS
OF
MERIT MEDICAL SYSTEMS, INC.

(Amended and Restated as of November 7, 2007)

ARTICLE I. OFFICES

The principal office of the Corporation in the State of Utah shall be located in the City of South Jordan, County of Salt Lake. The Corporation may have such other offices, either within or without the State of Utah, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE II. SHAREHOLDERS

Section 1. Annual Meeting. The annual meeting of the shareholders shall be held on a date and at a time designated by the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

Section 2. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the president or by the Board of Directors, and shall be called by the president at the request of the holders of not less than one-tenth (1/10) of all outstanding shares of the Corporation entitled to vote at the meeting.

Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Utah, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors.

Section 4. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall, unless otherwise prescribed by statute, be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the president, or the secretary, or the officer or other persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

Section 5. Closing of Transfer Books and Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period, not less than ten (10) days, but not to exceed, in any case, fifty (50) days. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than fifty (50) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date of which the particular action, requiring such determination of shareholders is to be taken. If the stock

transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders.

Section 6. Voting Record. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make a complete record of the shareholders entitled to vote at each meeting of shareholders or any adjournment thereof.

Section 7. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice.

Section 8. Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy executed in writing by the shareholder or by his or her duly authorized attorney in fact.

Section 9. Voting of Shares. Each outstanding share entitled to vote shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of shareholders.

Section 10. Informal Action by Shareholders. Any action required to be taken at a meeting of the shareholders, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Section 11. Transaction of Business at Meeting. No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 11.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not

later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class and series and number of shares of each class and series of stock of the Corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

In addition, notwithstanding anything in this Section 11 to the contrary, a shareholder intending to nominate one or more persons for election as a director at an annual or special meeting of shareholders must comply with Section 11 of Article III for such nominations to be properly brought before such meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 11; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 11 shall be deemed to preclude discussion by any shareholder of any such business. If the presiding officer of the annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the presiding officer of the annual meeting shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

No business shall be conducted at a special meeting of shareholders except for such business as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

ARTICLE III. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The Board of Directors shall consist of such number of members, which number shall not be less than three and not more than nine as may be determined and established from time to time by the Board of Directors and shall be divided into three classes, as nearly equal in size as possible. No increase in the maximum number of members shall be made except upon the affirmative vote of not less than two-thirds of the outstanding capital stock of the Corporation entitled to vote thereon.

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Utah, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the president or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Utah, as the place for holding any special meeting of the Board of Directors called by them.

Section 5. Notice. Notice of any special meeting of the Board of Directors shall be given by oral, telegraphic, written, electronic-mail or other electronic notice duly given, sent or mailed to each director not less than twenty-four (24) hours before such meeting. Any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 6. Quorum. A majority of the number of directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 7. Manner of Acting. The act of a majority present at a meeting shall be the act of the Board of Directors, provided a quorum is present.

Section 8. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

Section 9. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. Any directorship to be filled by reason of an increase in the number of directors may be filled by election by the Board of Directors for a term of office continuing only until the next election of directors by the shareholders.

Section 10. Compensation. By resolution of the Board of Directors, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefore.

Section 11. Nominations of Directors by Shareholders. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under

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specified circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders, or at any special meeting of shareholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of shareholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 11.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a shareholder's notice to the Secretary must set forth (a) as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation and employment of the person, (iii) the class and series and number of shares of each class and series of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (or in any law or statute replacing such section), and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder, (ii) the class and series and number of shares of each class and series of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and that such shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons named in its notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act (or in any law or statute replacing such section) and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

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No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 11. If the presiding officer of the annual meeting determines that a nomination was not made in accordance with the foregoing procedures, the presiding officer of the annual meeting shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 12. Committees of Directors. The Board of Directors may, by resolution passed by a majority of directors fixed by Section 2 of this Article III, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee may exercise, to the extent specified by the Articles of Incorporation or these Bylaws and authorized by the Board of Directors, the authority of the Board of Directors under Section 16-10a-801 of the Utah Revised Business Corporation Act (the "Act"), except as otherwise provided by law. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

ARTICLE IV. OFFICERS

Section 1. Number. The officers of the Corporation shall be a President, a Vice-President, a Secretary, and a Treasurer, each of whom shall be elected by a majority of the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. In its discretion, the Board of Directors may leave unfilled for any such period as it may determine any office except those of President and Secretary.

Section 2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He or she shall, when present, preside

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at all meetings of the shareholders and of the Board of Directors. He or she may sign, with the secretary of any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice-President. In the absence of the president or in the event of his or her death, inability or refusal to act, the vice-president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. A vice-president may sign, with the secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors.

Section 7. Secretary. The secretary shall: (a) keep the minutes of the proceedings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation, if such a seal has been adopted by the Board of Directors, is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) keep a register of the post office address of each shareholder; (e) sign with the president, or the vice-president, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the Corporation; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors.

Section 8. Treasurer. The treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article V of these Bylaws; and (c) in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors.

Section 9. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the Corporation.

ARTICLE V. CERTIFICATES FOR SHARE AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificate shall be signed by the president or vice-president and by the secretary and sealed with the corporate seal or a facsimile thereof if such seal has been adopted by the Board of Directors.

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Section 2. Transfer of Shares. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his or her legal representative, who shall furnish proper evidence of authority to transfer, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

ARTICLE VI. FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December in each year.

ARTICLE VII. DIVIDENDS

The Board of Directors may, from time to time, declare and the Corporation may pay dividends on its outstanding shares in the manner, and upon the terms and conditions provided by law and its Articles of Incorporation.

ARTICLE VIII. CORPORATE SEAL

The Board of Directors may provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words, "Corporate Seal."

ARTICLE IX. WAIVER OF NOTICE

Whenever any notice is required to be given to any shareholder or director of the Corporation under the provisions of these Bylaws or under the provisions of the Act, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X. AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors or by the shareholders at any regular or special meeting.

ARTICLE XI. INDEMNIFICATION

Section 1. Voluntary Indemnification. (a) Unless otherwise provided in the Articles of Incorporation, the Corporation shall indemnify any individual made a party to a proceeding because he is or was a director or officer of the Corporation, against liability incurred in the proceeding, but only if the Corporation has authorized the payment in accordance with the applicable statutory provisions, including Sections 16-10a-902, 16-10a-904, 16-10a-906, and 16-10a-907 of the Act, and a determination has been made in accordance with the procedures set forth in such provisions that the director or officer conducted himself in good faith; that he reasonably believed that his conduct, if in his official capacity with the Corporation, was in its best interests and that his conduct, in all other cases, was at least not opposed to the

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Corporation's best interests; and that he had no reasonable cause to believe his conduct was unlawful in the case of any criminal proceeding.

(b) The Corporation may not voluntarily indemnify a director or officer in connection with a proceeding by or in the right of the Corporation in which the director or officer was adjudged liable to the Corporation or in connection with any other proceeding charging improper personal benefit to him, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

(c) Indemnification permitted under this Section 1 in connection with a proceeding by or in the right of the Corporation is limited to reasonable expenses incurred in connection with the proceeding.

(d) If a determination is made, using the procedures set forth in the applicable statutory provisions, that the director or officer has satisfied the requirements listed herein and if an authorization of payment is made, using the procedures and standards set forth in the applicable statutory provision, then, unless otherwise provided in the Articles of Incorporation, the Corporation shall pay for or reimburse the reasonable expenses incurred by a director or officer who is a party to a proceeding in advance of the final disposition of the proceeding if the director or officer furnishes the Corporation a written affirmation of his good faith belief that he has satisfied the standard of conduct described in this Section 1 and applicable law, furnishes the Corporation a written undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that he did not meet the standard of conduct (which undertaking must be an unlimited general obligation of the director or officer, but need not be secured and may be accepted without reference to financial ability to make repayment); and if a determination is made that the facts then known of those making the determination would not preclude indemnification under this Section 1 and applicable law.

Section 2. Mandatory Indemnification. Unless otherwise provided in the Corporation's Articles of Incorporation, the Corporation shall indemnify a director or officer of the Corporation who was wholly successful, on the merits or otherwise, in the defense of any proceeding, or in the defense of any claim, issue, or matter in the proceeding, to which he was a party because he is or was a director or officer of the Corporation against reasonable expenses incurred by him in connection with the proceeding or claim with respect to which he has been successful.

Section 3. Court-Ordered Indemnification. Unless otherwise provided in the Corporation's Articles of Incorporation, a director or officer of the Corporation who is or was a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. The court may order indemnification if it determines that the director or officer is entitled to mandatory indemnification as provided in this Section 3 and applicable law, in which case the court shall also order the Corporation to pay the reasonable expenses incurred by the director or officer to obtain court-ordered indemnification. The court may also order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director or officer met the applicable standard of conduct set forth in Section 1 of this Article XI and applicable law. Any indemnification with respect to any proceeding in which liability has been adjudged in the circumstances described in paragraph (b) of Section 1 of this Article XI is limited to reasonable expenses.

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Section 4. Indemnification of Others; Advancement of Expenses. Unless otherwise provided in the Corporation's Articles of Incorporation, an incorporator, employee, fiduciary, or agent of the Corporation performing acts in furtherance of the business of the corporation shall have the same indemnification as provided to a director or officer in accordance with the conditions set forth in Section 1 of this Article XI. With respect to the advancement of expenses and other relief, the Board of Directors may, but shall not be required to, advance expenses to any such incorporator, employee, fiduciary, or agent of the Corporation, to any extent consistent with public policy and as provided for by the Articles of Incorporation, these Bylaws, general or specific action of the Board of Directors, or contract.

Section 5. Insurance. The Corporation may purchase and maintain liability insurance on behalf of a person who is or was an incorporator, director, officer, employee, fiduciary, or agent of the Corporation, or who, while serving as an incorporator, director, officer, employee, fiduciary, or agent of the Corporation, is or was serving at the request of the Corporation as an incorporator, director, officer, partner, trustee, employee, fiduciary or agent of another foreign or domestic corporation or other person, or of an employee benefit plan, against liability asserted against or incurred by him in that capacity or arising from his status as an incorporator, director, officer, employee, fiduciary, or agent, whether or not the Corporation has the power to indemnify him against the same liability under applicable law.

Section 6. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and, to the extent set forth herein, advancement of expenses, provided by or granted pursuant to this Article XI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Articles of Incorporation, the Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in this Article XI shall be made to the fullest extent permitted by law. The provisions of this Article XI shall not be deemed to preclude the indemnification of any person who is not specified in this Article XI but whom the Corporation has the power or obligation to indemnify under the provisions of the Act, or otherwise.

Section 7. Survival of Indemnification and Advancement of Expenses. The indemnification and, to the extent applicable, advancement of expenses provided by or granted pursuant to this Article XI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, fiduciary or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 8. Limitation on Indemnification. Notwithstanding anything contained in this Article XI to the contrary, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any incorporator, director, officer, employee, fiduciary or agent (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

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/s/ Kent Stanger
Kent Stanger, Secretary

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**Certification of Chief Executive Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Fred P. Lampropoulos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merit Medical Systems, Inc. for the quarter ended September 30, 2007;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2007

/s/ Fred P. Lampropoulos

Fred P. Lampropoulos
President and Chief Executive
Officer

**Certification of Chief Financial Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Kent W. Stanger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merit Medical Systems, Inc. for the quarter ended September 30, 2007;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2007

/s/ Kent W. Stanger

Kent W. Stanger

Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

In connection with this Quarterly Report on Form 10-Q of Merit Medical Systems, Inc. for the quarter ended September 30, 2007, I, Fred P. Lampropoulos, Chief Executive Officer of Merit Medical Systems, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Merit Medical Systems, Inc.

Date: November 8, 2007

/s/ Fred P. Lampropoulos

Fred P. Lampropoulos
President and Chief Executive
Officer

This certification accompanies the foregoing report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this certification has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer
Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

In connection with this Quarterly Report on Form 10-Q of Merit Medical Systems, Inc. for the quarter ended September 30, 2007, I, Kent W. Stanger, Chief Financial Officer of Merit Medical Systems, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Merit Medical Systems, Inc.

Date: November 8, 2007

/s/ Kent W. Stanger

Kent W. Stanger

Chief Financial Officer

This certification accompanies the foregoing report pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this certification has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.
